

AGENDA**BUDGET SUBCOMMITTEE NO. 1 ON HEALTH AND HUMAN SERVICES****ASSEMBLYMEMBER HOLLY MITCHELL, CHAIR**

WEDNESDAY, MAY 4, 2011
STATE CAPITOL, ROOM 444
1:30PM

ITEM	DESCRIPTION	PAGE
4300	DEPARTMENT OF DEVELOPMENTAL SERVICES	3
Issue 1	DWP - FAIRVIEW DEVELOPMENTAL CENTER FIRE ALARM SYSTEM UPGRADE	3
0530	HEALTH AND HUMAN SERVICES AGENCY	4
Issue 1	BCP#2 – Health Information Exchange Program Support (Deny Without Prejudice or DWP Item)	4
Issue 2	April 1 Letter – Tech4Impact Grant Award	6
0530	OFFICE OF SYSTEMS INTEGRATION (HEALTH AND HUMAN SERVICES AGENCY)	7
5180	DEPARTMENT OF SOCIAL SERVICES	7
Issue 1	Issue 1: Child Welfare Services (CWS)/Web Project (DWP Item)	7
5170	STATE INDEPENDENT LIVING COUNCIL	9
Issue 1	April 1 Letter – Third-Year Federal Funding for the Aging and Disability Resource Connection Grant	9
5180	DEPARTMENT OF SOCIAL SERVICES	11
Issue 1	BCP #3 – Improving Child Safety (DWP Item)	11
Issue 2	BCP #6 – Case Management, Information, and Payrolling System II (CMIPS II) (DWP Item)	12
Issue 3	BCP #10 – Foster Care Audits Accountability and Group Home Litigation (DWP Item)	13

Issue 4	BCP #15 – Implementing Fostering Connections PL 110-351 (DWP Item)	14
Issue 5	BCP #20 – Field Monitoring and Oversight of County Operations (DWP Item)	15
Issue 6	BCP #50 – Implementing AB 12 (DWP Item)	16
Issue 7	BCP #51 – Implementing Recently Enacted Legislation (DWP Item)	17
Issue 8	BCP #53 – IHSS Enacted Trailer Bill (DWP Item)	19
4265	DEPARTMENT OF PUBLIC HEALTH	22
Issue 1	SFL #1 – Epidemiology, Laboratory, and Health Information Systems Capacity	22
Issue 2	SFL #2 – Expanded HIV Testing for Disproportionately Affected Populations	23
Issue 3	SFL #3 – Ryan White HIV/AIDS Program in Sonoma County	24
4440	DEPARTMENT OF MENTAL HEALTH	25
Issue 1	BCP #1 – Legal Resources Request (DWP)	25
4260	DEPARTMENT OF HEALTH CARE SERVICES	26
Issue 1	BCP HC11-13: Diagnosis Related Group Payment System (DWP)	26
Issue 2	BCP PS11-01: HIPPA Privacy Operations (DWP)	29

NOTE ON THE AGENDA:

Many of the items in this agenda are listed as items that were formerly heard by the Subcommittee as part of the Governor's January proposal and were Denied Without Prejudice (DWP). As DWP items, the Legislature neither approved nor rejected these issues, but deferred them to the Spring Subcommittee process. As such, these requests are being heard now to allow for closer examination and additional attention from the Subcommittee before a final action is taken.

DISCUSSION ITEMS

4300 DEPARTMENT OF DEVELOPMENTAL SERVICES

ISSUE 1: FAIRVIEW DEVELOPMENTAL CENTER FIRE ALARM SYSTEM UPGRADE

Governor's Budget. The Department of Developmental Services requests re-appropriation of \$8.6 million General Fund for the construction phase of the Fairview Fire Alarm System Upgrade.

Background. The fire alarm system upgrade was approved in the 2008-09 Budget with \$9.0 million General Fund for Preliminary Plans (\$597,000), Working Drawings (\$565,000) and Construction (\$8.5 million). The system was approved to meet the current fire codes in consumer-utilized buildings in Fairview. The outdated fire alarm system at Fairview DC affects the safety and quality of life of individuals living and working in the DC. For example, routinely fire and police personnel are dispatched to living units to silence loud audible fire alarms –sometimes during sleeping hours. Between January 1st and 20th, 2007 the Fairview Office of Protective Services responded to 23 fire call that were false alarms. Complete upgrade of the system is necessary because replacement parts are no longer available for the 1970's model.

The preliminary plans for the project were delayed by three months that were never recuperated. There was also a four-month delay due to the belief that the Project would be designed in-house by DGS staff, but ultimately due to budgetary issues an Architectural/Engineering firm was hired.

The new project completion date is estimated for September 30, 2012.

Staff Comment. The Subcommittee rejected this budget change proposal on February 10, 2011. However, the Administration disagreed with this action and as such; the item is before the Subcommittee for reconsideration.

The Department should share their concerns over the health and safety of Fairview DC consumers, staff and visitors, and consider the priority of this project in light of the massive reductions to the developmentally disabled community.

PANELISTS

- Department of Developmental Services
- Department of Finance
- Legislative Analyst Office

0530 HEALTH AND HUMAN SERVICES AGENCY**ISSUE 1: BCP #2 – HEALTH INFORMATION EXCHANGE PROGRAM SUPPORT
(DWP ITEM)**

This item was heard previously by the Subcommittee on January 25, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Office of Health Information Integrity within the Health and Human Services Agency is proposing to establish a two-year limited term Staff Service Analyst/Associate Governmental Program Analyst position (\$99,000 federal funds) to support the Deputy Secretary's operational activities coordinating and leading California electronic health information technology and exchange program.

The Deputy Secretary for Health Information Technology (HIT) is California's designated HIT leader. The Deputy Secretary also serves as the chief advisor to the Governor and Secretary on issues pertaining to health information exchange. As the state's HIT leader, the Deputy Secretary is operationally responsible for the overall coordination with a large number of related for external federal and state initiatives impacting HIE such as California Cooperative Agreement for Health Information Exchange, Regional Extension Center grants, Medi-Cal HIT Incentive Program, Cal ERX, California Telehealth Network and HIT Workforce Development grant programs. Additionally, the Deputy Secretary coordinates strategic planning efforts with state departments that will be affected and impacted by the health information programs.

Support for the Deputy Secretary's work was previously achieved through a redirection of resources from the California Office of Health Information Integrity (CalOHII). However, due to its own program demands, CalOHII cannot continue to provide the support needed for the activities and efforts of the Deputy Secretary as the state's HIT leader. Therefore, the administration is requesting this position to serve as an Executive Assistant and Analyst for the Deputy Secretary of HIT. The position will be funded by ARRA grant funds already included in CalOHII's budget authority.

PANELISTS

- HHS Representative – Please be prepared to address the following in your testimony:
 - A brief description of the BCP, including information on any General Fund cost pressure that might be associated with this request.
 - Please provide more detail on the source of the funds and from what balance are these funds derived? How many more of the ARRA funds are not committed and available for uses that might include a General Fund offset?
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 2: APRIL 1 LETTER – TECH4IMPACT GRANT AWARD

The Subcommittee is in receipt of an April 1 Letter from the Health and Human Services Agency (HHSA) requesting an increase to its reimbursement authority of \$65,000 to accommodate receipt of a grant award totaling \$100,000 from the Public Health Institute Center for Technology and Aging, a private nonprofit research and education organization.

This Tech4Impact Grant supports the incorporation of web-based technology into the existing Aging and Disability Resource Connection transition care program. The HHSA requested \$35,000 in spending authority for fiscal year 2010-11 through a budget revision, which has been processed. The request is for the remaining \$65,000 to be expended in 2011-12 to continue project activities. The grant does not require a state match.

Incorporation of technology into a hospital to home care transitions programs is expected to empower consumers to manage their chronic conditions, to improve their access to information about services and community resources, and to reduce unnecessary hospital readmissions.

The California Community Choices project director (Staff Services Manager II) will provide grant oversight. The SSM II reports to the Assistant Secretary for Long-Term Care, who reports to the Agency Undersecretary and Secretary.

PANELISTS

- HHS Representative – Please be prepared to address the following in your testimony:
 - A brief description of the Spring Finance Letter.
 - How will the strategic work and outcomes related to this grant be affected by the recent dramatic reductions in related areas of the budget, including In-Home Supportive Services, Adult Day Health Care, Medi-Cal, and SSI/SSP?
- Department of Finance
- Legislative Analyst's Office
- Public Comment

0530 OFFICE OF SYSTEMS INTEGRATION (HEALTH AND HUMAN SERVICES AGENCY)

5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

ISSUE 1: CHILD WELFARE SERVICES (CWS)/WEB PROJECT

This item was heard previously by the Subcommittee on both February 2 and February 10, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

OSI requests \$2.1 million (\$951,000 GF that is reflected in the DSS budget) for four additional staff and additional contract resources to support its project management role in the development of the new CWS/Web system. These four positions would be in addition to 29 existing OSI positions and another ten OSI-contract staff currently supporting this phase of the project.

DSS requests, in a budget change proposal, \$304,000 (\$139,000 GF) for the extension, for an additional two years, of three limited-term staff who support the child welfare program-side of the project's development. These three staff (in a manager, office technician, and legal counsel position) would be in addition to three existing DSS positions supporting this phase of the project.

Including the requested positions, the total 2011-12 budget for the project would include \$13.2 million (\$6.0 million GF). OSI estimates a total cost of \$351.2 million (\$165.5 million GF) for the project over the decade between 2006-07 and 2016-17. Of this amount, the one-time costs to implement the project are estimated to be \$215.3 million (\$97.5 million GF), with maintenance and operations costs of \$135.9 million (\$68 million GF). According to the current project schedule, the project will be fully implemented by the Fall of 2015.

Background. California's CWS system includes a variety of state-supervised, county-administered interventions designed to protect children. Major services consist of emergency response to reports of suspected abuse and neglect, family maintenance or reunification, and foster care. The Child Welfare Services/Case Management System (CWS/CMS) is the existing automated system that provides case management capabilities for CWS agencies, including the ability to generate referrals, county documents, and case management and statistical reports. The CWS/CMS system was implemented statewide in 1997, and OSI has stated that CWS/Web is necessary because the CWS/CMS technology is outdated. In addition, OSI and DSS report that the CWS/Web system will increase efficiency and better comply with federal system requirements (which are tied to federal funding). The CWS/Web project is currently in a planning stage, preparing for a full implementation after development ends in 2014.

When CWS/Web is completed, the system will rely on a more modern, web-based technical architecture.

According to OSI and DSS, the requested positions are needed to keep pace with critical quality assurance, design, and development tasks. Without the requested resources, OSI indicates that it will be difficult to keep the project on time and within its budget.

PANELISTS

- OSI and DSS – Please briefly describe the proposal and address the following questions:
 - Please briefly describe the status of the CWS/Web project development and its current and anticipated staffing. What is the rationale for requesting these additional positions at OSI and at DSS at this time?
 - If these positions are not approved, what consequences would result? Please provide specific examples.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

5170 STATE INDEPENDENT LIVING COUNCIL (SILC)

ISSUE 1: APRIL 1 LETTER – THIRD-YEAR FEDERAL FUNDING FOR THE AGING AND DISABILITY RESOURCE CONNECTION GRANT

The Subcommittee is in receipt of an April 1 Letter from the State Independent Living Council (SILC) that requests an increase in federal expenditure authority of \$255,000 to ensure utilization of federal grant funds. The SILC received notice of third-year funding from the federal Administration on Aging for a grant that began in September 2009 to establish a seventh Aging and Disability Resource Connection (ADRC) site in California.

The grant period runs through September 30, 2012. These third-year funds will be used to: (1) manage the newly operational seventh ADRC site in Nevada County, (2) fund training in counseling for the long-term support of the aging and disabled, (3) engage in strategic planning to design a master plan for further expansion of the ADRC site network in California, and (4) engage an academic study of measureable outcomes associated with ADRC site services. No state funds are required since existing in-kind services will be used for the state match, which is permissible.

The original ADRC initiative was developed in 2003 and was funded through a cooperative effort between the Administration on Aging (AoA) and the Centers for Medicare and Medicaid Services (CMS). The purpose of this ADRC Initiative is to assist states in their efforts to create a coordinated system of information and access for all persons seeking long-term support services, to minimize confusion, enhance individual choice, and support informed decision-making.

There are currently six ADRC partnerships between local Area Agencies on Aging and Independent Living Centers, operating in the counties of Orange, Riverside, San Diego, Del Norte, San Francisco, and a five-county regional partnership (Butte, Colusa, Glenn, Plumas, and Tehama) in addition to the newly-opened Nevada County side. These regional program sites, which are overseen by the Department of Aging and the California Health and Human Services Agency, also partner with the Long-Term Care Ombudsman program in assisting nursing home residents prepare for and transition to more independent community living.

PANELISTS

- SILC Representative – Please be prepared to address the following in your testimony:
 - A brief description of the establishment and functions of the seventh ADRC and what resources it provides to what number of consumers.
 - Please describe how the current ADRCs are currently funded and how the seventh ADRC will be supported after the three year funding period.
 - Is the April 2011 semi-annual report available? What are its key findings?
- Department of Finance
- Legislative Analyst's Office
- Public Comment

5180 DEPARTMENT OF SOCIAL SERVICES (DSS)

ISSUE 1: BCP #3 – IMPROVING CHILD SAFETY (DWP ITEM)

This item was heard previously by the Subcommittee on January 27, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department requests \$295,000 (\$203,000 GF) and the establishment of 3.0 permanent full-time positions to perform activities associated with state and federal requirements to review child fatalities and near fatalities resulting from child abuse and/or neglect.

The requested positions consist of 3.0 Social Service Consultant IIIs in the Children and Family Services Division. The Administration states that these positions would perform duties associated with state and federal mandated case-specific reviews of the circumstances surrounding fatalities/near fatalities of children known to the state's Child Welfare Services (CWS) system. These staff will conduct electronic file review, prepare high profile incident summaries as needed, participate in county critical incident review team briefings, prepare state and federally mandated reports and analyses pertaining to child fatalities/near fatalities, maintain a website for public access to child fatality related information, and work with the counties to improve their reporting of child fatalities/near fatalities resulting from abuse and/or neglect to ensure the State's compliance with federal and state mandate for reporting and disclosure of such incidents.

PANELISTS

- DSS – Please briefly describe the request made in the BCP.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

**ISSUE 2: BCP #6 - CASE MANAGEMENT, INFORMATION, AND PAYROLLING
SYSTEM II (CMIPS II) (DWP ITEM)**

This item was heard previously by the Subcommittee on January 27, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

DSS requests a one year extension of four (4.0) existing Limited Term (LT) positions at a total cost of \$467,000 (\$233,000 General Fund) in 2011-12 to support CMIPS II activities which include Implementation and Maintenance and Operations efforts, as well as providing support for the In-Home Supportive Services (IHSS) program CMIPS II functions within the Department. The positions include three Associate Governmental Program Analyst (AGPA) positions in the Adult Programs Division (APD), as well as one Staff Counsel III in the Legal Division. The one-year extension of these positions will ensure CMIPS II staff continues to provide oversight of all phases of the CMIPS II project according to the schedule timeframes and milestones. These positions are currently set to expire in June 2011.

DSS states that these requested resource are vital for a successful transition of the CMIPS II system from the Legacy CMIPS system, in place since 1979 and operated continuously by the same vendor, in order not to disrupt services or payroll to the many recipients who depend on it. The implementation of the CMIPS II system, which is currently in progress, will begin to move into the Maintenance and Operations phase in FY 2010-11 and will require long term, active oversight to ensure the interests of the state are being met. DSS asserts that positions familiar with the program are crucial to maintaining CMIPS II, an intricate system integral to the viability of the IHSS program.

PANELISTS

- DSS – Please briefly describe the proposal.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 3: BCP #10 – FOSTER CARE AUDITS ACCOUNTABILITY AND GROUP HOME LITIGATION (DWP ITEM)

This item was heard previously by the Subcommittee on January 27, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department is requesting \$101,000 (\$64,000 GF) and 1.0 two-year limited term General Auditor (GA) III position in FCARB necessary to address the impact of the recent court order resulting from the Alliance lawsuit that required the CDSS to increase group home rates by 32 percent. The GA III position is necessary because, as a result of the increased rates, a large number of non-profit corporations' combined federal revenues will increase to over \$500,000 and will require submission of a FAR once a year (annually), instead of once every three years (triennially).

DSS states that this proposal is necessary to manage the increased workload in submission of FARs that will be submitted to CDSS as a result of the approximate 32 percent increase in group home rates imposed by a court order in the Alliance lawsuit. DSS estimates that 116 additional FARs will be submitted annually to CDSS, which will require review and issuance of Management Decision Letters within six months of receipt of a FAR, as mandated by the federal Office of Management and Budgets (OMB) Circular A-133. In addition, DSS states that this proposal would bring the State into compliance with existing federal and state statutes and avoid federal audit sanctions by providing oversight responsibility of non-profit corporations to ensure their financial stability. The lack of staff resources to review the additional FARs could jeopardize the approximately \$721 million in Title IV-E funds received by California annually for group home and FFA programs.

PANELISTS

- DSS – Please briefly describe the request made in the BCP.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 4: BCP #15 – IMPLEMENTING FOSTERING CONNECTIONS PL 110-351 (DWP ITEM)

This item was heard previously by the Subcommittee on January 27, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department requests the following to effectively implement PL 110-351, the Fostering Connections to Success and Increasing Adoptions Act (FCSA) of 2008, for a cost of \$467,000 (\$233,000 GF).

- The Staff Services Manager I (SSMI) position granted July 1, 2009 be made permanent effective July 1, 2011.
- One limited-term, full-time Associate Governmental Program Analyst (AGPA) to become effective July 1, 2011.
- Continuing the SSMI position and requesting the additional position will assist the state to protect existing Title IV-E funding and to secure additional federal financial participation in foster care and adoption services.

DSS contends that this staffing support is necessary due primarily to the changes in the federal legislation on the provision for direct access to Title IV-E funds for tribes serving youth in care. DSS states that these mandates will require additional work, including changes to statutory and regulatory requirements, state plan amendments, policy research, policy interpretation, training, technical assistance, and the provision of standardized on-going oversight and technical assistance to California's 58 counties. DSS asserts that failure to implement the mandatory provisions will put the State's Title IV-E funding at risk.

PANELISTS

- DSS – Please briefly describe the request made in the BCP.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 5: BCP #20 – FIELD MONITORING AND OVERSIGHT OF COUNTY OPERATIONS (DWP ITEM)

This item was heard previously by the Subcommittee on January 27, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department requests seven (7.0) permanent positions to perform field monitoring of county programs, for a cost of \$837,000 (\$279,000 GF).

DSS states that this proposal would avoid sanctions from the Administration on Children and Families (ACF) related to monitoring and oversight of county operations. The CDSS has been cited repeatedly by the Bureau of State Audits (BSA), the Office of the Inspector General (OIG) and ACF for not meeting the program performance monitoring and reporting requirements set out in Code of Federal Regulations (CFR), 45 CFR 92.40.

According to DSS, the monitoring of sub-recipients (counties) is currently being accomplished through federal Office of Management and Budgets (OMB) A-133 audits, various internal controls, and desk audits performed at the state level. Until recently the Department has disputed recurrent BSA findings that CDSS is not meeting program performance monitoring and reporting requirements set out in 45 CFR 92.40. The ACF has now directed the Department to take corrective action to comply with these requirements and CDSS is facing potential sanctions pursuant to 45 CFR 92.40. These sanctions apply to several programs, the most critical of which are Temporary Assistance to Needy Families (TANF) and Title IV-E. The Department has been negotiating with ACF on a solution with minimal or no budget impact. However, having exhausted no-cost alternatives, enforcement action, including federal sanctions, are a very real possibility. To avoid these sanctions, CDSS is requesting 7.0 positions, including 1.0 Staff Services Manager I and 6.0 Associate Governmental Program Analysts to perform field monitoring of county programs.

PANELISTS

- DSS – Please briefly describe the request made in the BCP and the GF effect.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 6: BCP #50 – IMPLEMENTING AB 12 (DWP ITEM)

This item was heard previously by the Subcommittee on January 27, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department is requesting \$1,559,000 (\$867,000 GF), 7.0 permanent positions, and 4.0 two-year limited-term positions, as well as funding for temporary help. These additional positions and funding will assist the state in implementation of AB 12, which will provide additional access to Federal Financial Participation (FFP) for extending the age of foster care to age 21 and will allow states to draw down FFP for relative guardianships.

AB 12 created substantial changes to the foster care system by expanding the eligibility for foster care up to age 21 to align with the five criteria in PL 110-351 to include those foster youth who are: 1) finishing secondary education, 2) attending college, 3) working full or part time, 4) participating in an employment program or 5) incapable of meeting the aforementioned criteria due to a documented disability. This creates a new population of foster youth referred to as non-minor dependents. In essence, AB 12 creates a new program for non-minor dependents as they are allowed to live in placement settings that are unique to their population and are not a traditional foster care placement.

Additionally, AB 12 provides the structure to convert California's existing Kinship Guardianship Assistance Program (KinGAP) program to meet the requirements of PL 110-351 in order to draw down FFP for KinGAP cases that had previously been funded solely through the General Fund. DSS states that AB 12 will require extensive additional work which crosses several divisions within the Department to develop the extended foster care program.

PANELISTS

- DSS – Please briefly describe the requests made in the BCP and the GF effect.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 7: BCP #51 – IMPLEMENTING RECENTLY ENACTED LEGISLATION (DWP ITEM)

This item was heard previously by the Subcommittee on January 25, 2011 and was Denied Without Prejudice (DWP), and as such is being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department is requesting 3.5 positions, most limited-term and .8 on a permanent basis, for a total cost of \$270,000 (\$217,000 GF) for 2011-12 associated the implementation of the following chaptered bills:

AB 2418. In September 2010, Assembly Bill 2418 was chaptered. This legislation revised the definition of “Indian child” for the purposes of Indian child custody proceedings to include an unmarried person who is 18 years of age over but under 21 years of age, and who is either a member of an Indian tribe or eligible for membership in an Indian tribe, as specified. The Child Protection and Family Support Branch (CPFSB) of the California Department of Social Services (CDSS) requests \$96,000 (\$61,000 GF) and 1.0 limited-term Social Services Consultant III (SSC III) position to become effective July 1, 2011. The SSC III position will assist the state to implement new processes and requirements resulting from the expansion of the definition of “Indian child” for the purposes of Indian child custody proceedings, under AB 2418.

AB 973. In September 2010, Governor Schwarzenegger signed AB 973 (Strickland) Minors: temporary custody. AB 973 created new mandates to the CDSS’ adoption program. In order to be in compliance with the recently enacted statute, the Child and Youth Permanency Branch is requesting \$55,000 (\$37,000 GF) and 0.5 limited-term AGPA.

AB 1048/1983. In September 2010, Governor Schwarzenegger signed AB 1983 (Torrico) Personal income taxes: voluntary contributions: Safely Surrendered Baby Fund. The bill specifically designated activities to the CDSS which represent an additional workload, intended to be supported by the funds generated by the contributions. Additionally, AB 1048 (which amends Health and Safety Code [H&SC] Section 1255.7) was signed and requires new annual reports to the Legislature. In order to be in compliance with these recently enacted statutes, CDSS is requesting \$50,000 (GF) and 0.5 limited-term Accounting Officer.

AB 2084. AB 2084 requires licensed child day care facilities to a) serve only low fat or nonfat milk to children ages two or older; b) limit juice to not more than one serving per day of 100% juice; c) serve no beverages with added sweeteners, either natural or artificial; and d) make clean and safe drinking water readily available and accessible for consumption throughout the day. The provisions of this bill would become operative on January 1, 2012, and the bill specifies that CDSS inspect these facilities for compliance during regularly scheduled inspections. To ensure compliance with this statutory

provision, CDSS requests the following augmentation: \$69,000 (GF) and 1.5 Licensing Program Analyst (LPA) positions to check during annual on-site inspections that the new standards are met.

PANELISTS

- DSS – Please briefly describe the requests made in the BCP.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

ISSUE 8: BCP #53 – IHSS ENACTED TRAILER BILL (DWP ITEM)

This item was heard previously by the Subcommittee on January 27, 2011, when action was taken to reject the portion of the BCP (6.0 requested positions and associated funding) associated with the implementation of the fingerprinting requirement for recipients and Deny Without Prejudice the balance of the BCP.

The portion of the BCP that was Denied Without Prejudice (DWP) is thus being additionally considered now before action is taken, either at this hearing or prior to final actions of the Subcommittee after the May Revision.

The Department requests resources to implement recently enacted changes in the omnibus Human Services trailer bill. The original request was for 23.5 positions across four departmental divisions as well as funding for contract costs. With the action taken in the Special Session in March 2011, the request is now for a total of 17.5 positions.

The positions and the associated functions are displayed in this table, based on information provided by the Department.

TBL	Division	Qty	Classification	LT/Permanent Positions
ATB 3.6% Reduction	APD	1.0	AGPA (LT)	LT thru 6/30/12
	LEGAL	1.0	SC III (Spec)	LT thru 6/30/12
	subtotal	2.0		
Provider Exclusions	APD	3.0	AGPA (LT)	LTs thru 6/30/12
	CCLD	1.0	AGPA	LT thru 6/30/13
		0.5	OT	LT thru 6/30/13
	LEGAL	1.0	SC III (Spec)	LT thru 6/30/13
		1.0	Sr. Legal Analyst	LT thru 6/30/13
		1.0	Legal Typist	LT thru 6/30/13
		1.0	SC III (Spec)	LT thru 6/30/13
	subtotal	8.5		
Provider Fee	APD	1.0	SSM I	LT thru 6/30/12
		4.0	SSA/AGPA	Approve 1.0 Perm and 3.0 LTs thru 6/30/12
		1.0	AssocMgmt Auditor	Perm
	ADM	1.0	AA I (Spec)	Perm
	subtotal	7.0		
TOTAL		17.5		

From information provided by the Department:

IHSS Across-the-Board 3.6% Service Reduction. This provision would reduce each IHSS recipient's total authorized hours by 3.6 percent effective February 1, 2011 through June 30, 2012. Service hours would be restored effective July 1, 2012 to the recipient's full authorized level based on the most recent assessment. The Adult Programs Division (APD) requests one (1.0) one-year Limited Term (LT) Staff Services Analyst (SSA)/Associate Governmental Program Analyst (AGPA) position for this purpose. The Legal Division (LD) requests one (1.0) one-year LT Staff Counsel (SC) III (Specialist) position for the Program Litigation Branch that serves APD.

Provider Exclusions. These provisions allow prospective applicants, and applicants whose application has been denied on the basis of a conviction and for whom an appeal is pending, to be excluded from providing supportive services to any recipient of the IHSS program if they had been convicted of (1) a violent or serious felony as specified in subdivision (c) of Section 667.5 of the Penal Code and subdivision (c) of Section 1192.7 of the Penal Code; or (2) a felony offense for which a person is required to register under subdivision (c) of Section 290 of the Penal Code. The provisions allow a recipient to submit an individual waiver to entitle him/her to hire the applicant. The new provisions also allow applicants to request a general exception to the exclusionary crime(s) from the Department. Applicants who have been denied the general exception may request an administrative hearing. The APD requests three (3.0) one-year LT SSA/AGPA positions. The CCLD requests one (1.0) two-year LT AGPA position to determine whether applicants meet IHSS requirements to receive an exception, and one-half (0.5) two-year LT Office Technician (Typing) [OT (T)] to support the exception analyst, obtain IHSS criminal record information from counties, and manually enter data from those sources. The LD requests one (1.0) two-year LT SC III (Specialist) position for the Program Litigation Branch that will provide direct legal services to APD, CCLD's Caregiver Background Check Bureau (CBCB) and LD's Community Care Licensing Enforcement Branch (Legal CCL Enforcement) to implement Welfare and Institutions Code (W&IC) Section 12305.87 signed into law pursuant to AB 1612. In addition, one (1.0) two-year LT Senior Legal Analyst and one (1.0) two-year LT Senior Legal Typist are requested to provide necessary support services to the APD attorney. The LD also requests one (1.0) two-year LT SC III (Specialist) position for Legal CCL Enforcement that will be representing CDSS in administrative evidentiary hearings before an Administrative Law Judge (ALJ) for appeals filed by prospective IHSS providers denied enrollment based on a prohibited criminal conviction and a denial of an exception issued by CDSS pursuant to an administrative review.

The LD also requests \$37,000 for the Department of General Services' Office of Administrative Hearings (OAH) costs for processing the cases referred to LD for administrative hearing. It is anticipated that 37 of the estimated 61 cases referred to LD per year will go to administrative hearing. The CDSS reimburses OAH for conducting the hearings and pays for hearing-related costs such as court reporters, interpreters, and witness fees.

Provider Fee. This provision authorizes the Department to impose a new provider fee/tax to maximize funding for IHSS retroactive to July 1, 2010. IHSS providers will be required to pay a fee based on applying the state's sales tax to services provided to IHSS recipients. Revenues from the fee will be used to increase federal matching funds the state receives. Providers will receive an additional payment to offset the fee, which would amount to 7.5 percent of the provider's adjusted gross income. Implementation of this proposed tax requires approval from the Centers for Medicare and Medicaid Services (CMS). This provision is expected to result in approximately \$180-\$200 million a year in federal funding to support the program. The APD requests six (6.0) positions to perform fiscal and system modification to implement and administer the provider sales tax mandates. The six (6.0) positions include one (1.0) one-year LT Staff Services Manager I (SSM I), four (4.0) AGPAs (1.0 permanent and 3.0 one-year LT), and one (1.0) permanent Associate Management Auditor (AMA). These positions will be responsible for working with the current vendor, the Financial Consultant Auditor, and stakeholders to design, develop, and implement system modifications to collect, report, pay, and administer the provider sales tax. The Fiscal Systems and Accounting Branch (FSAB) will require one (1.0) permanent, full-time Accounting Administrator (AA) I (Specialist), to conduct the fiscal workload in developing and administering the IHSS provider fee program.

PANELISTS

- DSS – Please briefly describe the requests made in the BCP.
- Department of Finance
- Legislative Analyst's Office
- Public Comment

4265 DEPARTMENT OF PUBLIC HEALTH**ISSUE 1: SFL #1 - EPIDEMIOLOGY, LABORATORY, AND HEALTH INFORMATION SYSTEMS CAPACITY**

Spring Finance Letter. The Department of Public Health (DPH) requests expenditure authority of \$1.2 million in 2011-12, and \$207,000 in 2012-13, of federal funds, for the DPH's Division of Communicable Disease Control for epidemiology and laboratory enhancement to improve detection, investigation and response to foodborne and emerging infectious diseases in the Central Valley and the San Francisco Bay Area. This federal funding was made available to states by the Patient Protection and Affordable Care Act of 2010. This federal grant included \$755,000 for the current year, which was approved through a Section 28 letter to the Legislature.

Background. According to the DPH, the estimated annual health cost of foodborne illnesses is \$152 billion nationally. The DPH further explains that many of the contaminated foods are major agricultural exports produced in California, including lettuce, spinach, eggs, cheese, and others. California's geography, cultural diversity, and international borders increase opportunities for foodborne illnesses to occur and to spread. Furthermore, some evidence suggests that foodborne illnesses are experiencing a substantial increase. This federal funding is intended to address the following:

Laboratory capacity. The CDPH Microbial Diseases Laboratory (MDL) is currently able to perform testing on only 24 percent of the Salmonella isolates sent to the lab. The limited capacity of the MLD also results in substantial delays in testing, which substantially limits the effectiveness of cluster and outbreak investigations. These funds will be used to increase laboratory capacity to rapidly transport and analyze specimens.

Public health information and surveillance systems. The effectiveness of data collection is diminished by the sheer size of California as well as by the decentralized nature of the state's public health system. According to DPH, the state's information system is not well managed due to the lack of sufficient staff and expertise, therefore significantly limiting the state's success in identifying and monitoring trends and detecting aberrations such as outbreaks. These funds will be used to train additional local staff, develop standardized methods and questionnaires, and coordinate information sharing by streamlining databases and reporting systems.

STAFF COMMENTS & QUESTIONS

The Subcommittee has asked the department to respond to the following:

1. Please describe the request and how these federal funds will be spent.

ISSUE 2: SFL #2 - EXPANDED HIV TESTING FOR DISPROPORTIONATELY AFFECTED POPULATIONS

Spring Finance Letter. The DPH requests expenditure authority of \$3.75 million in federal funds in 2011-12 and \$3.75 million in 2012-13 to support expanded HIV testing services for disproportionately affected populations. This federal grant includes \$2.6 million for the current year, which was approved through a Section 28 letter to the Legislature. States that received funds under a prior grant were eligible to compete for this grant, which was awarded based on demonstrated need.

Background. This federal grant is for the purpose of funding high-volume HIV screening in healthcare settings, linkages to care, and partner services. According to the DPH, the HIV epidemic continues to disproportionately affect racial and ethnic minority populations, particularly African Americans and Hispanics, men who have sex with men and injection drug users. The DPH also explains that insufficient HIV testing continues to enhance the epidemic as HIV positive individuals who are unaware of their HIV status are four times more likely to transmit HIV to another person, according to national research. Early treatment also helps reduce transmission of the disease.

In 2007, the federal Centers for Disease Control and Management (CDC) implemented an HIV testing program and California was awarded \$716,000 annually which funded three emergency departments in Alameda and San Francisco. 24,137 people were tested and 188 of those tested HIV positive. This new grant is intended to sustain progress made under the prior program and expand routine testing to new clinical venues to reach more at-risk populations. This new funding will cover eight new testing sites, including Local Health Jurisdictions, large hospitals, or health care clinics.

STAFF COMMENTS & QUESTIONS

The Subcommittee has asked the department to respond to the following:

1. Please describe the request and how these federal funds will be spent.

ISSUE 3: SFL #3 – RYAN WHITE HIV/AIDS PROGRAM IN SONOMA COUNTY

Spring Finance Letter. The DPH requests expenditure authority of \$555,000 in 2011-12 and \$353,000 in 2012-13 of federal funds to support HIV care services in Sonoma County whose direct funding from the Health Services Resources Administration (HRSA) is being redirected to the State grant award for the Office of AIDS.

Background. The Ryan White HIV/AIDS Program, Part A, provides direct funding to cities and counties, including areas known as Transitional Grant Areas (TGAs), which are areas most severely affected by the HIV/AIDS epidemic based on a minimum number of living AIDS cases. Sonoma County no longer qualifies for TGA status because it failed for the third consecutive year to meet the mandated eligibility criteria of total cumulative AIDS cases and number living with AIDS. Therefore, as of April 2011, Sonoma County will no longer receive TGA funding directly from HRSA. The Ryan White HIV/AIDS Treatment Extension Act of 2009 stipulates that states affected by a loss of TGA funding will receive TGA-transition step-down funds for a three year period to ensure continuation of HIV care services to clients living in the former TGA jurisdiction. This request will implement this step-down period.

**STAFF COMMENTS &
QUESTIONS**

The Subcommittee has asked the department to respond to the following:

1. Please describe the request and how these federal funds will be spent.

4440 DEPARTMENT OF MENTAL HEALTH**ISSUE 1: BCP #1 – LEGAL RESOURCES REQUEST (DWP)**

Governor's January Proposal. The Department of Mental Health (DMH) is requesting an augmentation of \$2,151,000 in General Fund for legal services to be performed by the Attorney General's Office (AGO) for DMH regarding Health Education and Welfare work (HEW) and all new Torts and Condemnation work.

Background. Historically, the AGO has provided legal representation to the DMH, and other State Departments, for litigation and court appearances. In September of 2009, the AGO informed DMH of policy changes that would substantially reduce the amount of legal services provided by the AGO to DMH as a result of reduced resources within the AGO. In the spring of 2010, the Administration requested 6 new legal positions at a cost of \$3,076,000 General Fund to respond to the reduction in representation by the AGO. The Legislature instead approved of \$1.2 million in funding and budget bill language requiring the AGO to provide all necessary legal representation to DMH.

The Administration states that the AGO has informed DMH that it does not have sufficient resources to handle all of the HEW workload and tort costs. DMH states that if sufficient funding is not provided, the DMH will be subject to serious and significant legal consequences, such as default judgments up to millions of dollars; court findings that carry fines and expose the DMH Director to contempt findings; and DMH hospitals being unable to obtain court authority for involuntary medication or medical treatment that psychiatrists or physicians have found necessary for the patients.

The Administration explains that there are several state departments that used to benefit from legal representation from the AGO, for which the AGO has reduced or eliminated legal services. Therefore, all of these departments are faced with this new challenge and have undertaken requests for approval for funding which will be transferred to the AGO by the departments in exchange for these same legal services.

The Assembly Budget Subcommittee on Health and Human Services heard this proposal on January 26, 2011 and denied the proposal without prejudice.

STAFF COMMENTS & QUESTIONS

The Subcommittee has asked the department to respond to the following:

1. Please explain the circumstances that have led to this request and how the amount of additional resources being requested was calculated.

4260 DEPARTMENT OF HEALTH CARE SERVICES**ISSUE 1: BCP HC11-13: DIAGNOSIS RELATED GROUP PAYMENT SYSTEM (DWP)**

Governor's January Proposal. The Department of Health Care Services (DHCS) requests expenditure authority of \$1.2 million (\$480,000 General Fund and \$724,000 Federal Fund) in 2011-12 and approximately the same amounts in 2012-13, and 11 two-year limited term positions to develop and implement a new payment system for hospital inpatient services based upon Diagnosis-Related Groups (DRGs), as initiated in the 2010 health budget trailer bill.

Background. Currently, Medi-Cal reimburses approximately 200 public and private hospitals using contracted inpatient rates negotiated by the California Medical Assistance Commission (CMAC) as part of the Selective Provider Contracting Program (SPCP). Hospitals that do not contract via the SPCP are reimbursed using a cost-based reimbursement methodology that uses interim per-diem rates limited to the lowest of: 1) published charges; 2) statewide maximum allowances; or 3) actual costs. At the end of a hospital's fiscal year end, it submits a cost report to the DHCS that includes the Medi-Cal services, charges, and costs. The DHCS then prepares a tentative rate adjustment to be an interim settlement. Thereafter, the DHCS has three years to conduct an audit of the hospital's cost report that will determine the final settlement.

The 2010 budget health trailer bill included provisions to require the DHCS to transition to a new payment system for inpatient hospital services (excluding for designated public hospitals), called Diagnoses Related Groups (DRG). The DRG payment system is based on reimbursement rates related to a beneficiary's diagnoses. Under the DRG system, all patients assigned to a specific DRG are deemed to have a similar clinical condition requiring similar treatment and length of hospital stay. The reimbursement rate is based on the average cost of treating patients in the same DRG. According to the DHCS, a DRG payment system can significantly increase efficiencies and quality of care by: increasing access to care, providing financial rewards to hospitals for efficiencies, increasing payment fairness across hospitals, increasing transparency and clarity regarding what services are being paid for, and creating the ability for the state to not pay for "hospital acquired conditions." The Medicare program and several other states' Medicaid programs use the DRG system.

Workload. According to the DHCS, developing and implementing the DRG system creates a significant new workload that cannot be absorbed by current staff. The new requirements include:

- Developing the methodology to be used for reimbursement as well as data and analysis to support the methodology;

- Assessing current hospital inpatient payments workflow and information systems related to claims processing and payments;
- Identifying operational and systems changes necessary to adopt the DRG system;
- Developing DRG-based rates and add-on rates;
- Performing full-scope audits to reconcile hospital inpatient services payments to the DRG payment rates;
- Developing databases and relevant information technology systems to incorporate the reconciliation process;
- Assessing the current operational and information technology infrastructure for hospital inpatient services payments; and
- Developing provider and stakeholder education efforts.

The DHCS also states that eventually the state will realize administrative savings from the transition to the DRG system by reductions to staff at CMAC and in the Audits and Investigations Branch of DHCS. However, full savings would not occur until full implementation occurs, which the department estimates will be in early 2013.

Legislative Analyst's Office. The LAO recommends approval of only seven two-year limited-term positions in the Safety Net Financing Division and denial of five positions for Audits and Investigations (A & I), recommending instead the redirection of five existing A & I Adult Day Health Care audit staff for two-year limited terms. This would require an appropriation of \$860,000 (\$344,000 General Fund) for 2011-12.

**STAFF COMMENTS &
QUESTIONS**

The DRG system appears to be a fairer, more transparent, and more efficient system for reimbursing hospitals for inpatient care for Medi-Cal beneficiaries. Moreover, the Legislature adopted legislation last year through the budget trailer bill requiring the DHCS to implement this system. Nevertheless, many programs and new initiatives that improve quality of care and access to care have been either discontinued or delayed due to the severe budget crisis that the state faces. The Subcommittee may wish to consider whether starting this new system should be delayed for the same reason.

The Subcommittee has requested the DHCS to respond to the following questions:

1. Please describe the DRG system, its merits, and the required workload that justifies 11 new positions.
2. Are there opportunities to redirect staff within the department, rather than creating new positions, particularly in light of recent changes and reductions to the Medi-Cal program?
3. What would be the consequences of delaying implementation of the DRG system?
4. Will this new system result in General Fund savings?

ISSUE 2: BCP PS11-01: HIPAA PRIVACY OPERATIONS (DWP)

Governor's January Proposal. The DHCS requests expenditure authority of \$299,000 (\$150,000 General Fund, \$149,000 Federal Fund) in both 2011-12 and 2012-13 and approval of a two-year extension of three limited-term positions to maintain and improve compliance with federal and state privacy-related statutes and regulations, including: the Health Insurance Portability and Accountability Act (HIPAA), the American Reinvestment and Recovery Act-Health Information Technology for Economic and Clinical Health Act (ARRA-HITECH), and the State Information Practices Act (IPA).

Background. The DHCS Privacy Office is responsible for maintaining the privacy and physical security requirements contained in HIPAA, the IPA, the State Administrative Manual (SAM) and the DHCS Health Administrative Manual (HAM). These statutes and requirements apply to the protected health information and personal confidential information of approximately 7.5 million Californians who are enrolled in one or more of several health programs administered by the DHCS. The Privacy Office's workload includes: 1) drafting and mailing privacy notices to millions of program beneficiaries; 2) responding to inquiries and requests for access to records from beneficiaries; 3) investigating alleged violations of privacy rights by providers; 4) advising the DHCS on privacy practices and data releases; and 5) responding to privacy breaches. When a privacy breach occurs, the Privacy Office is required to immediately investigate and develop a corrective action plan. Response to a breach includes fact finding, documenting, and reporting to all employees and business associates, including the Fiscal Intermediary, Affiliated Computer Services, Managed Health Care plans, county programs, and other state departments that utilize Medi-Cal information.

According to the DHCS, since 2005, the number of breaches and security incidents has increased dramatically. In 2005, the Privacy Office responded to 40 breaches. By 2009, approximately 200 new reports were being received per year. In just the first six months of 2010, 159 breaches and security incidents were reported to the Privacy Office. The DHCS anticipates a continuing increase in privacy breaches and security incidents as a result of updated legislation, more stringent consequences, and greater awareness of privacy laws. Additional laws have increased workload in this area including the ARRA-HITECH. This act increases notification requirements of the DHCS following a breach.

STAFF COMMENTS & QUESTIONS

The Subcommittee has requested the DHCS to respond to the following questions:

1. Please describe this proposal and the basis for anticipating on-going and increasing workload in this area.